

NET OPERATING LOSS EXAMPLE

<u>Corresponding Line on Maine Return</u>	<u>Carryback Year</u> <u>2002</u>	<u>NOL Year</u> <u>2003</u>	<u>Carryforward Years</u> <u>2004</u> <u>2005</u>	
Federal adjusted gross income (FAGI) prior to NOL deduction	55,000	- 60,000	35,000	25,000
	<u>- 55,000</u>	<u> </u>	<u>- 5,000</u>	<u> </u>
14. FAGI after NOL deduction	0	- 60,000	30,000	25,000
Deduction Modification:				
2j. (Schedule 1)				
5122 (2)(H)				
			<u>- 40,000</u>	<u>- 5,000</u>
Addition Modifications:				
2.(Form 1040X-ME) 5122 (1)(H)	55,000			
Other	<u> </u>	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>
6. Maine Adjusted Gross Income (MAGI)	55,000	-50,000	0	28,000

Of the original \$60,000 loss in 2003, \$55,000 is carried back for federal purposes, but disallowed for Maine purposes. The remaining \$5,000 is carried forward at the federal level and is included in 2004 FAGI. For Maine purposes, the amount equal to the federal carryback is allowed as a subtraction modification to the extent that it does not reduce MAGI below zero, is within the allowed federal carryover period and has not previously been used to offset Maine income. In this example, \$10,000 of the federal NOL was used to offset Maine addition modifications in the year of the loss, reducing the overall subtraction modification allowable in future years from \$55,000 to \$45,000.